

Summary:

Dedham, Massachusetts; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile

US\$8. mil GO bnds (Energy Conservation) dtd 11/15/2010 due 11/15/2030

Long Term Rating

AA+/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating and underlying rating (SPUR) to Dedham, Mass.' general obligation (GO) energy savings bonds, and affirmed its 'AA+' long-term rating, and stable outlook, on the town's parity debt outstanding.

The rating reflects our assessment of the town's:

- Prime location south of Boston, on Route 128 with easy access to many of the commonwealth's major employment centers;
- Mature and very diverse tax base, which has shown some recent valuation declines but also some large developments not fully reflected yet in assessed value;
- Extremely strong per capita market value, coupled with strong resident income levels;
- Strong and well-embedded financial management policies and procedures, and strong available fund balance levels;
- Low overall net debt burden, coupled with limited future capital needs.

The town's full faith and credit pledge secures the bonds. We understand that the town will use bond proceeds to fund energy savings projects.

Dedham (2009 population: 24,489) is a fully developed, primarily residential community with a strong commercial and retail component, adjacent to southern Boston. With nearby commuter-rail links and direct access to Route 128/Interstate 95, Dedham's residents have access to downtown Boston and most of the commonwealth's largest employment centers, making the town attractive to professionals. In our opinion, the per capita market values are extremely strong at about \$163,600, and the income measures for the town are strong with median household effective buying income (EBI) and per capita EBI of 139% and 130% of the national level, respectively. The 2009 unemployment rate was 7.7%, lower than the state and national levels.

The property tax base decreased by 4% in fiscal 2008, and had slight additional declines in fiscals 2009 and 2010, which brought assessed valuation (AV) to \$4.01 billion, which is still approximately 70% higher than five years earlier. The tax base remains very diverse, with the 10 leading taxpayers accounting for about 11% of AV. Two large projects have begun operation in the town recently and are not fully reflected in the fiscal 2010 AV: the Legacy Place lifestyle center mall and the Newbridge on the Charles assisted living center, which is owned by Hebrew Senior Life. The Newbridge complex is now the town's leading employer, with 650 jobs. Officials project that much of the Legacy Place value will be reflected in the fiscal 2011 AV and that the Newbridge facility will make a payment in lieu of taxes.

Dedham's total general fund declined by about \$600,000 in fiscal 2009, due to the use of reserves for deficits in snow removal and special education expenses, but the unreserved financial position dropped by about \$2.0 million, due to an increase in encumbrances and a \$1.0 million increase in the reserve for the use of fund balance in fiscal 2010. The unreserved general fund declined to \$2.9 million, but the separate stabilization fund remained level at \$4.0 million, for a total available financial position of \$6.9 million, or 8.5% of expenditures, which we consider to be strong. The town's state aid was reduced in midyear fiscal 2009 by nearly \$400,000. Management estimates that the unreserved fund balance declined by an additional \$700,000 in fiscal 2010 due to appropriating funds for capital expenditures, but that the stabilization fund increased by about \$200,000 to \$4.2 million.

The fiscal 2011 general fund budget does not appropriate any fund balance, and the receipts from newly authorized local-options taxes on meals and hotel rooms will be placed into a capital stabilization fund. All but one of the town's collective bargaining contracts have been settled, and management projects that the budget contains sufficient funding to settle the last contract.

Dedham's management practices are considered "strong" under Standard & Poor's financial management assessment methodology, indicating Dedham's financial practices are strong, well-embedded, and likely sustainable.

Following this bond issuance, Dedham's overall net debt will remain low at about \$1,900 per capita and 1.1% of market value. The carrying charge in fiscal 2009 was low at less than 7% of general fund expenditures. Amortization is rapid, with more than 80% of long-term debt retired over the next 10 years. Management estimates that the town's additional debt needs will be approximately \$9 million for school construction and \$1.0 million for land acquisition, which would keep debt at levels we consider to be low. The town has no variable-rate debt or interest-rate swap exposure.

As of April 2008, the town's other postemployment benefits (OPEB) liability was estimated to be \$56,839,513 based upon an 8% full pre-funding assumption, and \$112,625,512 based upon a 3.5% pay-as-you go basis. Dedham has established an OPEB trust fund to meet its obligation, and has contributed \$1.35 million into this fund.

Outlook

The stable outlook reflects Standard & Poor's expectation that Dedham will maintain an adequate financial position despite additional state aid reductions. In addition, we expect debt levels to remain low due to limited capital needs. If the town's financial position significantly declines, Standard & Poor's could lower the rating. However, if the recent economic development results in a strengthening of the financial position and the economy remains strong, we could raise the rating.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

| Ratings Detail (As Of November 3, 2010) | | |
|---|------------|----------|
| Dedham GO | | |
| Long Term Rating | AA+/Stable | Affirmed |
| Dedham GO | | |

| Ratings Detail (As Of November 3, 2010) (cont.) | | |
|---|------------------|----------|
| Unenhanced Rating | AA+(SPUR)/Stable | Affirmed |
| Many issues are enhanced by bond insurance. | | |

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